

Utah Legislature

Tax Reform Task Force

Summary of Preliminary Proposals

**Prepared by the
Office of Legislative Research & General Counsel**

October 2005

Utah Legislature

Tax Reform Task Force

Tax Reform Proposals Presented for Statewide Public Hearings

<p style="text-align: center;"><u>Income Taxes</u></p> <ul style="list-style-type: none"> (1) Individual Income Tax – Four Options (2) Corporate Franchise & Income Taxes – Electable Single Sales Factor Apportionment* (3) Electrical Utility Gross Receipts Tax – Repeal and Reduction* 	<p style="text-align: center;"><u>Property Tax</u></p> <ul style="list-style-type: none"> (4) Expand Property Tax “Circuit Breaker” and Renters’ Credit (5) Constitutional Amendment Related to Taxation of Personal Property* (6) Truth in Taxation – Advertisement* (7) Truth in Taxation – School District Voted Leeway*
<p style="text-align: center;"><u>Sales & Use Tax</u></p> <ul style="list-style-type: none"> (8) Refundable “Grocery Tax” Credit (9) Exempt Certain Business Inputs* (10) Clarify Confusing and Inconsistent Issues* (11) Uniform Statewide Sales and Use Tax Rate (Joint Proposal with #12) 	<p style="text-align: center;"><u>Local Government & Other Taxes</u></p> <ul style="list-style-type: none"> (12) Shift Sales and Use Taxes and Property Tax (Joint Proposal with #11) (13) 1% Local Option Sales and Use Tax – Adjust Distribution Methodology and Eliminate Hold Harmless Provision (14) Amend Insurance Premium Tax on Certain Policies* (15) Cable Tax Credit (16) Restructure Redevelopment Agencies – 3 Tracks

* indicates legislation drafted on all or a portion of the proposal

Utah Legislature

Tax Reform Task Force

Brief Summary of Tax Reform Proposals

Income Taxes

(1) **Individual Income Tax - Four Options**

Option A - Start at federal Adjusted Gross Income (AGI), (1) provide certain exemptions that phase out as income increases, (2) apply a tax rate of 5.00%, and (3) allow a credit for charitable contributions.

Option B - Same as Proposal A, except for (1) a personal exemption (i.e., family size) cap is eliminated, and (2) provide a mortgage interest credit.

Option C - Retain existing tax structure and reduce top rate from 7.00% to 6.85%

Option D - Start at AGI and apply a flat 4.00% rate. Provide a sales tax refund that varies with income. Increase state sales and use tax rate to 5.50%.

(2) **Corporate Franchise and Income Tax - Electable Single Sales Factor Apportionment**

Corporations that conduct business in several states are required to apportion their income among those states. This proposal would allow a corporation to choose between a three-factor apportionment methodology and a single sales factor methodology that benefits corporations with a proportionately high share of property and payroll in the state relative to sales.

(3) **Electrical Utility Gross Receipts Tax - Repeal and Reduction**

This proposal would repeal a gross receipts tax imposed on an electrical utility and reduce the rates of another gross receipts tax that is imposed on another electrical utility. The proposal requires that the tax reduction be passed on to ratepayers.

Property Tax

(4) **Expand Property Tax "Circuit Breaker" and Renter's Credit**

This proposal would expand the property tax "circuit breaker" and renter's credit by increasing income eligibility and benefit amounts.

(5) **Constitutional Amendment Related to Taxation of Personal Property**

This constitutional amendment, if approved, would authorize the Legislature to determine how certain personal property is taxed.

(6) **Truth in Taxation - Advertisement**

This proposal would modify truth in taxation newspaper advertisements.

(7) **Truth in Taxation - School District Voted Leeway**

These proposals would adjust how truth in taxation applies to certain school district property taxes approved by a vote of the people.

Sales and Use Tax

(8) Refundable "Grocery Tax" Credit

To offset sales and use taxes on food, this proposal would provide those below certain income levels with a refundable income tax credit.

(9) Exempt Certain Business Inputs

This proposal would exempt certain business inputs from the sales and use tax. Legislation has been drafted to exempt certain telecommunications machinery, equipment, and software as part of this proposal.

(10) Clarify Confusing and Inconsistent Issues

Certain provisions related to the sales and use tax are confusing or inconsistent. For example, magazines are subject to the sales and use tax, but newspapers are exempt. This proposal addresses some of these issues.

(11) Uniform Statewide Sales and Use Tax Rate

Currently, many different sales and use tax rates exist across the state. This proposal would enact one sales and use tax rate that is uniform throughout the state.

Local Government and Other Taxes

(12) Shift Sales and Use Taxes and Property Taxes

This proposal would shift the funding sources for certain services provided by municipalities, counties, school districts, and the state.

(13) 1% Local Option Sales and Use Tax - Adjust Distribution Methodology and Eliminate Hold Harmless Provision

This proposal would change how certain local sales and use taxes are distributed among municipalities and counties.

(14) Amend Insurance Premium Tax on Certain Policies

This proposal would decrease the tax paid on certain insurance premiums for variable life insurance.

(15) Cable Tax Credit

This proposal would provide a credit against the multi-channel video or audio service tax for franchise fees paid to municipal governments for the privilege of using municipal rights-of-way.

(16) Restructure Redevelopment Agencies - 3 Tracks

This proposal would restructure redevelopment agency law to separate redevelopment agencies into three separate types, subject to different requirements.

Contact Information

Further information on these proposals can be accessed at the Task Force website:

<http://www.le.utah.gov/asp/interim/Commit.asp?Year=2005&Com=TSKTRT>

Comments or questions may also be directed to the Office of Legislative Research and General Counsel:

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Income Taxes

- (1) Individual Income Tax – Four Options**
- (2) Corporate Franchise and Income Taxes – Electable
Single Sales Factor**
- (3) Electrical Utility Gross Receipts Tax – Repeal and
Reduction**

Tax Reform Task Force Proposal #1

Individual Income Tax – Four Options

The Task Force voted to present at statewide public hearings the following four individual income tax proposals.

Option A

- Start with federal Adjusted Gross Income (AGI)
 - All existing deductions, exemptions, and credits are eliminated, except for those required by federal statute or case law (e.g., interest on certain government obligations, railroad retirement income, certain Native American income) or those detailed below
- Allow two types of exemptions, which gradually phase out as income increases
 - Filing status exemption
 - \$12,000 married filing jointly and head of household
 - \$6,000 single and married filing separately
 - Personal exemption
 - \$4,000 per federal personal exemption
 - Limited to five personal exemptions
 - Exemptions phase out over a range 250% above base exemption

Federal Personal Exemptions	Married Filing Jointly and Head of Household		Single and Married Filing Separately	
	Exempt Below	Exemption Gradually Phases Out Until	Exempt Below	Exemption Gradually Phases Out Until
0	\$12,000	\$42,000	\$6,000	\$21,000
1	\$16,000	\$56,000	\$10,000	\$35,000
2	\$20,000	\$70,000	\$14,000	\$49,000
3	\$24,000	\$84,000	\$18,000	\$63,000
4	\$28,000	\$98,000	\$22,000	\$77,000
5	\$32,000	\$112,000	\$26,000	\$91,000
6	\$32,000	\$112,000	\$26,000	\$91,000
7	\$32,000	\$112,000	\$26,000	\$91,000
8	\$32,000	\$112,000	\$26,000	\$91,000
9	\$32,000	\$112,000	\$26,000	\$91,000
10	\$32,000	\$112,000	\$26,000	\$91,000

- Take AGI and subtract exemption amount, multiply result by 5.00% rate = State Tax Before Credit
- Charitable Contribution Credit
 - Multiply federal itemized charitable contributions (Schedule A) by 50% and apply 5.00% rate
- Take state tax before credit, subtract charitable contribution credit to arrive at state tax
- Revenue effects
 - Based on 2003 returns, Governor's tax advisors estimated proposal would result in \$10-\$15 million decrease to the Uniform School Fund
 - Based on legislative forecasts adopted in February, Tax Commission staff estimates the proposal to be revenue-neutral in the 2007-08 fiscal year at a 4.86% rate or result in a \$65 million increase to the Uniform School Fund at a 5.00% rate

Tax Reform Task Force Proposal #1

Individual Income Tax – Four Options

Option B

- Adopt basic structure of Proposal A, with two revisions
 - Eliminate cap of five on personal exemptions

Personal Exemptions	Married Filing Jointly and Head of Household		Single and Married Filing Separately	
	Exempt Below	Exemption Gradually Phases Out Until	Exempt Below	Exemption Gradually Phases Out Until
0	\$12,000	\$42,000	\$6,000	\$21,000
1	\$16,000	\$56,000	\$10,000	\$35,000
2	\$20,000	\$70,000	\$14,000	\$49,000
3	\$24,000	\$84,000	\$18,000	\$63,000
4	\$28,000	\$98,000	\$22,000	\$77,000
5	\$32,000	\$112,000	\$26,000	\$91,000
6	\$36,000	\$126,000	\$30,000	\$105,000
7	\$40,000	\$140,000	\$34,000	\$119,000
8	\$44,000	\$154,000	\$38,000	\$133,000
9	\$48,000	\$168,000	\$42,000	\$147,000
10	\$52,000	\$182,000	\$46,000	\$161,000

- Provide an itemized mortgage interest credit that is treated the same as charitable contribution credit (i.e., itemized mortgage interest times 50% times 5.00% rate)
- Revenue effects
 - Based on legislative forecasts adopted in February, Tax Commission staff estimates the proposal to be revenue-neutral in the 2007-08 fiscal year at a 5.05% rate or result in a \$23 million decrease to the Uniform School Fund at a 5.00% rate

Option C

- Retain general structure of existing income tax system
- Reduce tax rate in top bracket to 6.85% (from 7.00%)
- Revenue effects
 - Based on legislative forecasts adopted in February, Tax Commission staff estimates the proposal would result in a decrease to the Uniform School Fund of approximately \$44 million in fiscal year 2007-08

Tax Reform Task Force Proposal #1

Individual Income Tax – Four Options

Option D

- Start with federal Adjusted Gross Income (AGI)
- Apply a flat rate of 4.00% to AGI
- Increase state sales tax rate to 5.50% (from 4.75%)
- Provide a sales tax refund
 - Sales tax refund based on income and number of personal exemptions (see below)
- Subtract sales tax refund from income tax to calculate net tax

State Of Utah -- Income Tax Return

Income Tax		
1a. AGI:	\$ 60,000	
1b. State Income Tax Rate (4.0%): x	0.040	
1c. State Income Tax:	\$ 2,400	A

Sales Tax Credit		
2a. Exemptions:	5	
2b. State Sales Tax Credit:	\$ 750	B

Total Taxes (A-B):

\$ 1,650

Sales Tax Refund Table (4% AGI, 5.5% State Sales Tax)

AGI	Exemptions									
	1	2	3	4	5	6	7	8	9	10
\$ 5,000	\$ 200	\$ 400	\$ 600	\$ 800	\$ 1,000	\$ 1,200	\$ 1,400	\$ 1,600	\$ 1,800	\$ 2,000
\$ 10,000	\$ 200	\$ 400	\$ 600	\$ 800	\$ 1,000	\$ 1,200	\$ 1,400	\$ 1,600	\$ 1,800	\$ 2,000
\$ 15,000	\$ 250	\$ 500	\$ 750	\$ 1,000	\$ 1,250	\$ 1,500	\$ 1,750	\$ 2,000	\$ 2,250	\$ 2,500
\$ 20,000	\$ 250	\$ 500	\$ 750	\$ 1,000	\$ 1,250	\$ 1,500	\$ 1,750	\$ 2,000	\$ 2,250	\$ 2,500
\$ 25,000	\$ 250	\$ 500	\$ 750	\$ 1,000	\$ 1,250	\$ 1,500	\$ 1,750	\$ 2,000	\$ 2,250	\$ 2,500
\$ 30,000	\$ 200	\$ 400	\$ 600	\$ 800	\$ 1,000	\$ 1,200	\$ 1,400	\$ 1,600	\$ 1,800	\$ 2,000
\$ 35,000	\$ 200	\$ 400	\$ 600	\$ 800	\$ 1,000	\$ 1,200	\$ 1,400	\$ 1,600	\$ 1,800	\$ 2,000
\$ 40,000	\$ 200	\$ 400	\$ 600	\$ 800	\$ 1,000	\$ 1,200	\$ 1,400	\$ 1,600	\$ 1,800	\$ 2,000
\$ 45,000	\$ 200	\$ 400	\$ 600	\$ 800	\$ 1,000	\$ 1,200	\$ 1,400	\$ 1,600	\$ 1,800	\$ 2,000
\$ 50,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 55,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 60,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 65,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 70,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 75,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 80,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 85,000	\$ 150	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500
\$ 90,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 95,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 100,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 105,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 110,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 115,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 120,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 125,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 130,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 135,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 140,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
\$ 145,000	\$ 100	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000

Tax Reform Task Force Proposal #2
Corporate Franchise & Income Taxes –
Electable Single Sales Factor Apportionment

The Task Force voted to present at statewide public hearings the following draft legislation related to the corporate franchise and income tax.

Draft legislation

09-20-05 DRAFT

2006FL-0155/007

APPORTIONMENT OF BUSINESS INCOME TO
UTAH
2006 GENERAL SESSION
STATE OF UTAH

LONG TITLE

General Description:

This bill amends the Corporate Franchise and Income Taxes chapter relating to the apportionment of business income.

Highlighted Provisions:

This bill:

- ▶ allows a taxpayer to elect for a one taxable year period to calculate the apportionment of business income on the basis of a fraction that double weights the sales factor;
- ▶ allows a taxpayer to elect for taxable years beginning on or after January 1, 2007, to calculate the apportionment of business income on the basis of a single sales factor;
- ▶ addresses a taxpayer's ability to revoke an election to use a particular method for apportioning business income to the state;
- ▶ addresses the apportionment of business income if an amount is carried forward or carried back;
- ▶ grants rulemaking authority to the State Tax Commission; and
- ▶ makes technical changes.

Corporate Franchise & Income Tax - Income Apportionment

Hypothetical Comparison of Two Corporations

Tax Reform Task Force Proposal #2

Corporate Franchise & Income Taxes – Electable Single Sales Factor Apportionment

Corporation A High Proportion of Property and Payroll in Utah, Low Proportion of Sales in Utah

Corporation A Assumptions				
Factor	Utah Portion	Total Nationwide	Ratio of Utah Portion to Total Nationwide	
Payroll	\$ 900	\$ 1,000	90%	
Property	\$ 4,500	\$ 5,000	90%	
Sales	\$ 100	\$ 10,000	1%	
Total				
Nationwide taxable income \$ 3,000				
x % apportioned to Utah x%				
Income apportioned to Utah y result				
x Utah tax rate 5%				
Utah Tax z tax				
Equally Weight Three Factors				
Factor	Weight	Allocation (Factor weight x ratio)	Factor weight %	Allocation (Factor weight % x ratio)
1	1	0.90	33%	30.0%
1	1	0.90	33%	30.0%
1	1	0.01	33%	0.3%
3	3	1.81	100%	60.3%
		60.3%		
\$ 3,000				
60.3%				
\$ 1,810				
5%				
\$ 91				
Double Weight Sales Factor				
Factor	Weight	Allocation (Factor weight x ratio)	Factor weight %	Allocation (Factor weight % x ratio)
1	1	0.90	25%	22.5%
1	1	0.90	25%	22.5%
2	2	0.02	50%	0.5%
4	4	1.82	100%	45.5%
		45.5%		
\$ 3,000				
45.5%				
\$ 1,365				
5%				
\$ 68				
Single Sales Factor				
Factor	Weight	Allocation (Factor weight x ratio)	Factor weight %	Allocation (Factor weight % x ratio)
0	0	0.00	0%	0%
0	0	0.00	0%	0%
1	1	0.01	100%	1.00%
1	1	0.01	100%	1.0%
		1.0%		
\$ 3,000				
1.0%				
\$ 30				
5%				
\$ 2				

Corporation B Low Proportion of Property and Payroll in Utah, High Proportion of Sales in Utah

Corporation B Assumptions				
Factor	Utah Portion	Total Nationwide	Ratio of Utah Portion to Total Nationwide	
Payroll	\$ 100	\$ 1,000	10%	
Property	\$ 500	\$ 5,000	10%	
Sales	\$ 9,900	\$ 10,000	99%	
Total				
Nationwide taxable income \$ 3,000				
x % apportioned to Utah x%				
Income apportioned to Utah y result				
x Utah tax rate 5%				
Utah Tax z tax				
Equally Weight Three Factors				
Factor	Weight	Allocation (Factor weight x ratio)	Factor weight %	Allocation (Factor weight % x ratio)
1	1	0.10	33%	3.3%
1	1	0.10	33%	3.3%
1	1	0.99	33%	33.0%
3	3	1.19	100%	39.7%
		39.7%		
\$ 3,000				
39.7%				
\$ 1,190				
5%				
\$ 60				
Double Weight Sales Factor				
Factor	Weight	Allocation (Factor weight x ratio)	Factor weight %	Allocation (Factor weight % x ratio)
1	1	0.10	25%	2.5%
1	1	0.10	25%	2.5%
2	2	1.98	50%	49.5%
4	4	2.18	100%	54.5%
		54.5%		
\$ 3,000				
54.5%				
\$ 1,635				
5%				
\$ 82				
Single Sales Factor				
Factor	Weight	Allocation (Factor weight x ratio)	Factor weight %	Allocation (Factor weight % x ratio)
0	0	0.00	0%	0.0%
0	0	0.00	0%	0.0%
1	1	0.99	100%	99.0%
1	1	0.99	100%	99.0%
		99.0%		
\$ 3,000				
99.0%				
\$ 2,970				
5%				
\$ 149				

Tax Reform Task Force Proposal #3
Electrical Utility Gross Receipts Tax –
Repeal and Reduction

The Task Force voted to present at statewide hearings the following draft legislation related to the gross receipts taxes on electrical utilities.

Draft legislation

09-28-05 DRAFT

2006FL-0111/004

GROSS RECEIPTS TAX AMENDMENTS,
REPEAL AND PUBLIC UTILITY TARIFFS
2006 GENERAL SESSION
STATE OF UTAH

LONG TITLE

General Description:

This bill modifies the Public Utilities title and the Revenue and Taxation title to repeal and modify gross receipts taxes and require certain public utilities to file new tariffs with the Public Service Commission.

Highlighted Provisions:

This bill:

- requires certain public utilities to file new tariffs with the Public Service Commission and establishes procedures for filing those tariffs;
- decreases the gross receipts tax rate on certain corporations not required to pay corporate franchise or income tax;
- repeals the Gross Receipts Tax on Electrical Corporations chapter;
- repeals obsolete language;
- and makes technical changes.

Property Tax

- (4) Expand Property Tax “Circuit Breaker” and Renters’ Credit**
- (5) Constitutional Amendment Related to Taxation of Personal Property**
- (6) Truth in Taxation – Advertisement**
- (7) Truth in Taxation – School District Voted Leeway**

Tax Reform Task Force Proposal #4
Expand Property Tax "Circuit Breaker"
and Renters' Credit

The Task Force voted to present at statewide public hearings the following proposal related to the property tax circuit breaker and renters' credit.

Proposal

Expand property tax circuit breaker and renters' credit by increasing income eligibility and benefit amounts (data below is for circuit breaker only).

Current and Proposed Income Guidelines and Credit Amounts
Utah Circuit Breaker Program
12-Oct-05

2004 Current Annual Income Guidelines

Equal to or More Than	But not more than	Credit Amount
\$ -	\$ 8,624	\$ 676
\$ 8,624	\$ 11,501	\$ 591
\$ 11,502	\$ 14,375	\$ 506
\$ 14,375	\$ 17,250	\$ 380
\$ 17,250	\$ 20,126	\$ 295
\$ 20,127	\$ 22,831	\$ 169
\$ 22,832	\$ 25,369	\$ 83

Proposed

Equal to or More Than	But not more than	Credit Amount
\$ -	\$ 4,123	\$ 811
\$ 4,123	\$ 8,246	\$ 709
\$ 8,246	\$ 12,369	\$ 607
\$ 12,369	\$ 16,492	\$ 456
\$ 16,492	\$ 20,615	\$ 354
\$ 20,615	\$ 24,738	\$ 203
\$ 24,738	\$ 28,861	\$ 100

Estimated Revenue Effect

Claimants	31,642
Total	10,973,446

Difference from 2004 \$ 6,036,023

Tax Reform Task Force Proposal #4

Expand Property Tax "Circuit Breaker" and Renters' Credit

Proposed Credit and Exemption Levels
Utah Circuit Breaker Program
\$ 38,637

			First Bracket		Second Bracket		Third Bracket		Fourth Bracket		Fifth Bracket		Sixth Bracket		Seventh Bracket	
Taxable Value After Exemption Circuit Breaker -75%			Estimated Property Tax Liability (* 1.34%)		Net Property Tax Less Credit Liability		Net Property Tax Less Credit Liability		Net Property Tax Less Credit Liability		Net Property Tax Less Credit Liability		Net Property Tax Less Credit Liability		Net Property Tax Less Credit Liability	
FMV																
\$ 125,000	\$ 31,250	\$ 419	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ -	\$ 354	\$ 65	\$ 203	\$ 216	\$ 100	\$ 319
\$ 130,000	\$ 32,500	\$ 436	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ -	\$ 354	\$ 82	\$ 203	\$ 233	\$ 100	\$ 336
\$ 135,000	\$ 33,750	\$ 452	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ -	\$ 354	\$ 98	\$ 203	\$ 249	\$ 100	\$ 352
\$ 140,000	\$ 35,000	\$ 469	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 13	\$ 354	\$ 115	\$ 203	\$ 266	\$ 100	\$ 369
\$ 145,000	\$ 36,250	\$ 486	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 30	\$ 354	\$ 132	\$ 203	\$ 283	\$ 100	\$ 386
\$ 150,000	\$ 37,500	\$ 503	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 47	\$ 354	\$ 149	\$ 203	\$ 300	\$ 100	\$ 403
\$ 155,000	\$ 38,750	\$ 519	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 63	\$ 354	\$ 165	\$ 203	\$ 316	\$ 100	\$ 419
\$ 160,000	\$ 40,000	\$ 536	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 80	\$ 354	\$ 182	\$ 203	\$ 333	\$ 100	\$ 436
\$ 165,000	\$ 41,250	\$ 553	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 97	\$ 354	\$ 199	\$ 203	\$ 350	\$ 100	\$ 453
\$ 170,000	\$ 42,500	\$ 570	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 114	\$ 354	\$ 216	\$ 203	\$ 367	\$ 100	\$ 470
\$ 175,000	\$ 43,750	\$ 586	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 130	\$ 354	\$ 232	\$ 203	\$ 383	\$ 100	\$ 486
\$ 180,000	\$ 45,000	\$ 603	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ -	\$ 456	\$ 147	\$ 354	\$ 249	\$ 203	\$ 400	\$ 100	\$ 503
\$ 185,000	\$ 46,250	\$ 620	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ 13	\$ 456	\$ 164	\$ 354	\$ 266	\$ 203	\$ 417	\$ 100	\$ 520
\$ 190,000	\$ 47,500	\$ 637	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ 30	\$ 456	\$ 181	\$ 354	\$ 283	\$ 203	\$ 434	\$ 100	\$ 537
\$ 195,000	\$ 48,750	\$ 653	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ 46	\$ 456	\$ 197	\$ 354	\$ 299	\$ 203	\$ 450	\$ 100	\$ 553
\$ 200,000	\$ 50,000	\$ 670	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ 63	\$ 456	\$ 214	\$ 354	\$ 316	\$ 203	\$ 467	\$ 100	\$ 570
\$ 205,000	\$ 51,250	\$ 687	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ 80	\$ 456	\$ 231	\$ 354	\$ 333	\$ 203	\$ 484	\$ 100	\$ 587
\$ 210,000	\$ 52,500	\$ 704	\$ 811	\$ -	\$ 709	\$ -	\$ 607	\$ 97	\$ 456	\$ 248	\$ 354	\$ 350	\$ 203	\$ 501	\$ 100	\$ 604
\$ 215,000	\$ 53,750	\$ 720	\$ 811	\$ -	\$ 709	\$ 11	\$ 607	\$ 113	\$ 456	\$ 264	\$ 354	\$ 366	\$ 203	\$ 517	\$ 100	\$ 620
\$ 220,000	\$ 55,000	\$ 737	\$ 811	\$ -	\$ 709	\$ 28	\$ 607	\$ 130	\$ 456	\$ 281	\$ 354	\$ 383	\$ 203	\$ 534	\$ 100	\$ 637
\$ 225,000	\$ 56,250	\$ 754	\$ 811	\$ -	\$ 709	\$ 45	\$ 607	\$ 147	\$ 456	\$ 298	\$ 354	\$ 400	\$ 203	\$ 551	\$ 100	\$ 654
\$ 230,000	\$ 57,500	\$ 771	\$ 811	\$ -	\$ 709	\$ 62	\$ 607	\$ 164	\$ 456	\$ 315	\$ 354	\$ 417	\$ 203	\$ 568	\$ 100	\$ 671
\$ 235,000	\$ 58,750	\$ 787	\$ 811	\$ -	\$ 709	\$ 78	\$ 607	\$ 180	\$ 456	\$ 331	\$ 354	\$ 433	\$ 203	\$ 584	\$ 100	\$ 687
\$ 240,000	\$ 60,000	\$ 804	\$ 811	\$ -	\$ 709	\$ 95	\$ 607	\$ 197	\$ 456	\$ 348	\$ 354	\$ 450	\$ 203	\$ 601	\$ 100	\$ 704
\$ 245,000	\$ 61,250	\$ 821	\$ 811	\$ 10	\$ 709	\$ 112	\$ 607	\$ 214	\$ 456	\$ 365	\$ 354	\$ 467	\$ 203	\$ 618	\$ 100	\$ 721
\$ 250,000	\$ 62,500	\$ 838	\$ 811	\$ 27	\$ 709	\$ 129	\$ 607	\$ 231	\$ 456	\$ 382	\$ 354	\$ 484	\$ 203	\$ 635	\$ 100	\$ 738
\$ 255,000	\$ 63,750	\$ 854	\$ 811	\$ 43	\$ 709	\$ 145	\$ 607	\$ 247	\$ 456	\$ 398	\$ 354	\$ 500	\$ 203	\$ 651	\$ 100	\$ 754
\$ 260,000	\$ 65,000	\$ 871	\$ 811	\$ 60	\$ 709	\$ 162	\$ 607	\$ 264	\$ 456	\$ 415	\$ 354	\$ 517	\$ 203	\$ 668	\$ 100	\$ 771
\$ 265,000	\$ 66,250	\$ 888	\$ 811	\$ 77	\$ 709	\$ 179	\$ 607	\$ 281	\$ 456	\$ 432	\$ 354	\$ 534	\$ 203	\$ 685	\$ 100	\$ 788
\$ 270,000	\$ 67,500	\$ 905	\$ 811	\$ 94	\$ 709	\$ 196	\$ 607	\$ 298	\$ 456	\$ 449	\$ 354	\$ 551	\$ 203	\$ 702	\$ 100	\$ 805
\$ 275,000	\$ 68,750	\$ 921	\$ 811	\$ 110	\$ 709	\$ 212	\$ 607	\$ 314	\$ 456	\$ 465	\$ 354	\$ 567	\$ 203	\$ 718	\$ 100	\$ 821
\$ 280,000	\$ 70,000	\$ 938	\$ 811	\$ 127	\$ 709	\$ 229	\$ 607	\$ 331	\$ 456	\$ 482	\$ 354	\$ 584	\$ 203	\$ 735	\$ 100	\$ 838
\$ 285,000	\$ 71,250	\$ 955	\$ 811	\$ 144	\$ 709	\$ 246	\$ 607	\$ 348	\$ 456	\$ 499	\$ 354	\$ 601	\$ 203	\$ 752	\$ 100	\$ 855
\$ 290,000	\$ 72,500	\$ 972	\$ 811	\$ 161	\$ 709	\$ 263	\$ 607	\$ 365	\$ 456	\$ 516	\$ 354	\$ 618	\$ 203	\$ 769	\$ 100	\$ 872
\$ 295,000	\$ 73,750	\$ 988	\$ 811	\$ 177	\$ 709	\$ 279	\$ 607	\$ 381	\$ 456	\$ 532	\$ 354	\$ 634	\$ 203	\$ 785	\$ 100	\$ 888
\$ 300,000	\$ 75,000	\$ 1,005	\$ 811	\$ 194	\$ 709	\$ 296	\$ 607	\$ 398	\$ 456	\$ 549	\$ 354	\$ 651	\$ 203	\$ 802	\$ 100	\$ 905

Tax Reform Task Force Proposal #5
Constitutional Amendment Related to
Taxation of Personal Property

The Task Force voted to present at statewide public hearings the following draft legislation related to amending the Utah Constitution as it relates to the taxation of personal property.

Draft legislation

09-26-05 DRAFT

2006FL-0080/004

RESOLUTION REGARDING PROPERTY TAX

ON PERSONAL PROPERTY

2006 GENERAL SESSION

STATE OF UTAH

LONG TITLE

General Description:

This joint resolution of the Legislature proposes to amend the Utah Constitution to revise provisions relating to the taxation of personal property.

Highlighted Provisions:

This resolution proposes to amend the Utah Constitution to:

- ▶ authorize the Legislature to determine the manner of taxing or exempting tangible personal property;
- ▶ provide a constitutional exemption for certain property that previously has been subject to a legislatively enacted exemption; and
- ▶ eliminate a provision requiring the Legislature to provide a uniform statewide fee or rate of assessment or taxation on tangible personal property required to be registered before being used on highways, waterways, public land, or in the air, if that property was exempted from taxation.

Special Clauses:

This resolution directs the lieutenant governor to submit this proposal to voters.

This resolution provides a contingent effective date of January 1, 2007 for this proposal.

Tax Reform Task Force Proposal #6
Truth in Taxation – Advertisement

The Task Force voted to present at statewide public hearings the following draft legislation related to truth in taxation advertisements.

Draft legislation

10-07-05 DRAFT

2006FL-0204/005

ADVERTISING PROPERTY TAX INCREASES

2006 GENERAL SESSION

STATE OF UTAH

LONG TITLE

General Description:

This bill amends the Property Tax Act to modify the notification requirements for taxing entities levying a tax rate in excess of the certified tax rate.

Highlighted Provisions:

This bill:

- ▶ amends the Property Tax Act to modify the notification requirements for taxing entities levying a tax rate in excess of the certified rate; and
- ▶ makes technical changes.

Tax Reform Task Force Proposal #7
Truth in Taxation – School District Voted Leeway

The Task Force voted to present at statewide public hearings two proposals (one of which is contained in draft legislation) related to school district voted leeways and truth in taxation.

Proposal

The first proposal would exempt school districts from all requirements of the Truth in Taxation process if the voted leeway levy exceeds the certified tax rate as the result of a school district budgeting an increased amount of ad valorem property tax revenue derived from a voted leeway only when the voted leeway has a sunset date of 8 years or less.

Draft legislation

The second proposal is contained in draft legislation.

10-18-05 DRAFT

2006FL-0206/007

VOTED LEEWAY AMENDMENTS

2006 GENERAL SESSION

STATE OF UTAH

LONG TITLE

General Description:

This bill modifies the State System of Public Education Title and the Property Tax Act relating to a voted leeway.

Highlighted Provisions:

This bill:

- ▶ modifies the State System of Public Education title and the Property Tax Act to exempt school districts from certain advertisement requirements when budgeting revenue from a voted leeway and levying a voted leeway tax rate; and
- ▶ makes technical changes.

Sales & Use Tax

- (8) Refundable “Grocery Tax” Credit**
- (9) Exempt Certain Business Inputs**
- (10) Clarify Confusing and Inconsistent Issues**
- (11) Uniform Statewide Sales and Use Tax Rate**

Tax Reform Task Force Proposal #8

Refundable “Grocery Tax” Credit

The Task Force voted to present at statewide public hearings the following proposal related to the sales and use tax on food.

Proposal

To offset the sales and use tax on food, this proposal would provide a \$75 per person refundable income tax credit for state residents with federal adjusted gross income (AGI) below certain levels and gradually phase out the credit (see below). The credit would be claimed on the income tax form or a simplified income tax form if no state tax liability exists. The benefit amount and income eligibility ranges would be indexed for inflation.

- For families with children, age 65 or older, or physical disability
 - AGI below \$30,000 - \$75 per person
 - AGI between \$30,001 and \$34,500 - \$50 per person
 - AGI between \$34,501 and \$39,000 - \$25 per person
- For single individuals and married couples with no children
 - AGI below \$18,000 - \$75 per person
 - AGI between \$18,001 and \$21,500 - \$50 per person
 - AGI between \$21,501 and \$25,000 - \$25 per person

It is estimated the proposal would result in approximately a \$40 to \$60 million decrease to the Uniform School Fund in the 2007-08 fiscal year, assuming full participation by eligible taxpayers.

Tax Reform Task Force Proposal #9

Exempt Certain Business Inputs

The Task Force voted to present at statewide public hearings the following proposal and draft legislation related to exempting certain business inputs from the sales and use tax.

Proposal

This proposal would exempt from the sales and use tax business inputs in various industries.

Sales and Use Tax - Exempting Business Inputs in Various Sectors

Estimated Fiscal Impacts

(\$ in millions, rounded to nearest million)

Industry	NAICS Category	All inputs	1 year life or greater	3 year life or greater
Agriculture, Forestry, Fishing & Hunting	11	\$ 2	\$ 2	\$ 1
Mining	21	\$ 17	\$ 14	\$ 13
Manufacturing	31-33	\$ 142	\$ 119	\$ 16
Motion Picture and Video Production	512110	\$ 0.09	\$ 0.05	\$ 0.02
Telecommunications	517	\$ 26	\$ 19	\$ 13
Computer Systems Design and Related Services	5415	\$ 8	\$ 7	\$ 4
Physical, Engineering, and Biological Research	54171	\$ 1	\$ 1	\$ 1
Estimated State Revenue Impact		\$ 197	\$ 161	\$ 48
Estimated Local Revenue Impact		\$ 66	\$ 54	\$ 16
Estimated Total Revenue Impact		\$ 262	\$ 215	\$ 65

State revenue impacts per USTC estimates (see attached)
Local revenue impact estimated at 1/3 of state impact

In its motion recommending the proposal for consideration at public hearings, the Task Force indicated that its preferred option was to exempt business inputs with 1 year life or greater, but that all three columns should be displayed at public hearings for public input.

Tax Reform Task Force Proposal #9
Exempt Certain Business Inputs

Draft legislation

A portion of the broader sales and use tax business input exemption proposal, which exempts certain telecommunications industry business inputs, is contained in draft legislation.

10-11-05 DRAFT

2006FL-0270/004

SALES AND USE TAX EXEMPTION -

TELECOMMUNICATIONS

2006 GENERAL SESSION

STATE OF UTAH

LONG TITLE

General Description:

This bill amends the Sales and Use Tax Act to provide a sales and use tax exemption relating to certain telecommunications equipment, machinery, or software.

Highlighted Provisions:

This bill:

- ▶ provides definitions;
- ▶ provides a sales and use tax exemption relating to certain telecommunications equipment, machinery, or software; and
- ▶ makes technical changes.

Tax Reform Task Force Proposal #10
Clarify Confusing and Inconsistent Issues

The Task Force voted to present at statewide public hearings the following proposals and draft legislation related to confusing and inconsistent sales and use tax issues.

**(1) Existing manufacturing exemption – Replacement and repair
Proposal**

Under the current manufacturing exemption, it can be difficult to differentiate between a replacement part that extends the useful life of equipment (non-taxable) and a repair part (taxable). This proposal would exempt both replacement and repair parts.

**(2) Isolated and occasional sales
Proposal & Draft Legislation**

Under existing law, isolated and occasional sales are exempt from the sales and use tax. There is some confusion as to how many or what types of transactions constitute an isolated or occasional sale. Draft legislation addresses this issue.

08-31-05 DRAFT

2006FL-0211/009

**SALES AND USE TAX - EXEMPTION FOR
ISOLATED OR OCCASIONAL SALES**

2006 GENERAL SESSION

STATE OF UTAH

LONG TITLE

General Description:

This bill modifies the Sales and Use Tax Act relating to sales and use tax exemptions.

Highlighted Provisions:

This bill:

- ▶ modifies the sales and use tax exemption for isolated and occasional sales to provide the circumstances under which the exemption applies;
- ▶ grants rulemaking authority to the State Tax Commission; and
- ▶ makes technical changes.

Tax Reform Task Force Proposal #10
Clarify Confusing and Inconsistent Issues

(3) Agricultural products sold by producer

Proposal

Under existing law, “locally grown” agricultural products are exempt from the sales and use tax. This proposal would modify this exemption to repeal the “locally grown” requirement; provide that the agricultural products must be sold by the producer to be exempt; and define producer.

(4) Car washes, laundry facilities, amusement devices

Proposal

Under existing law, coin-operated car washes, laundry facilities, and amusement devices are exempt from the sales and use tax. Due to changes in technology, this definition has become outdated and difficult to administer. This proposal would exempt all unassisted car washes, laundry facilities, and amusement devices and tax all assisted car washes, laundry facilities, and amusement devices.

(5) Tax newspapers similar to magazines

Proposal

Under existing law, magazines and newspapers are treated differently – magazines are subject to the sales and use tax while newspapers are exempt. One proposal to address this inconsistency is to tax both newspapers and magazines. The Task Force did not endorse this proposal, but voted to send the proposal out for public comment.

Tax Reform Task Force Proposal #11
Uniform Statewide Sales and Use Tax Rate
(Joint Proposal with #12)

The Task Force voted to present at statewide public hearings the following proposal related to a uniform statewide sales and use tax rate. This proposal is joined with Proposal #12, which shifts certain sales and use taxes and property taxes.

Proposal

The following, which was distributed at the October 12, 2005 Task Force meeting, summarizes the proposal and its rationale.

**Improving Utah's State and Local Tax System:
Aligning Revenue Sources With Services**

October 12, 2005

Background

This proposal accomplishes four important goals to more closely align the types of services provided by different government entities with the revenue sources used to fund those services.

Municipalities. First, it establishes the property tax as a primary source of revenue for municipalities, which provide services to property. If a parcel of ground is not improved, there are few, if any, services for a municipality to provide. Police, fire, roads, water, etc., are services provided to benefit *improved* property. This is why historically the property tax has been a logical and natural choice to fund municipal services and why Utah's state and local tax system should emphasize the property tax as a benefit tax. Services provided to property should primarily be financed by taxes on that property.

Schools. Second, while property taxes should primarily be used to fund municipal services, financing public education in Utah has historically been a state responsibility. The state's minimum school program provides a fair and equitable funding system for all school children, no matter where in Utah they may live. This proposal maintains and strengthens this historical state commitment to public education by adding the sales and use tax as an important component of public education funding.

Counties. Third, the proposal recognizes the unique role of counties in providing important public services that are usually over a wide geographical area. For the most part, counties do not provide services directly related to property. Rather, they provide services such as jail operation, property tax system administration, flood control, public health, and social services. Counties are also an important provider of many state government services. Because counties act as agents of the state, it is appropriate for them to rely on the sales and use tax as one source of revenue.

Transportation. Finally, this proposal recognizes the tax contribution of motor vehicles to the state sales tax and allocates a portion of state sales taxes to fund transit and transportation.

Tax Reform Task Force Proposal #11
Uniform Statewide Sales and Use Tax Rate
(Joint Proposal with #12)

Proposal

This proposal is revenue neutral at the state level.

Sales and Use Tax

Adopt a uniform statewide sales and use tax rate of 6.35 percent consisting of the following:
5.85 percent state rate *;
0.25 percent county rate; and
0.25 percent transportation (local roads and/or transit) rate.

The two Resort Community Sales and Use Taxes established under Part 4, Chapter 12, Title 59 (and possibly other sales and use taxes) would continue to be levied but would be considered as “non-agreement” taxes under the Streamlined Sales and Use Tax Agreement. (The transition to replacement revenue sources for the various local option sales and use taxes is described below.)

In order to achieve a uniform statewide sales and use tax rate, if a county does not impose the county option sales and use tax, or if a county or municipality does not impose the transportation sales and use tax, a replacement tax will be imposed by the state and the revenue used for state purposes with a commensurate reduction in property taxes.

The portion of the additional public transit tax in counties of the first class that is now deposited into the Public Transportation System Tax Highway Fund created under Section 72-2-121 would be assumed by the state.

Public Education Financing

Revenue from a one percent state sales and use tax would be allocated to the Uniform School Fund to be distributed to school districts under the minimum school program.

Tax Reform Task Force Proposal #11
Uniform Statewide Sales and Use Tax Rate
(Joint Proposal with #12)

Property Tax

Establish the property tax as a primary source of revenue for municipalities.

Eliminate the minimum basic property tax levy imposed by a school district under the minimum school program.

Beginning with the first year of implementation, a certified property tax rate:

- imposed by a school district must be adjusted to compensate for the additional revenue that the school district receives from the Uniform School Fund;
- imposed by a municipality that imposes the transportation tax for the first time must be adjusted to compensate for the additional revenue that the municipality receives from the transportation sales and use tax;
- imposed by a county that imposes the county option sales and use tax or the transportation sales and use tax for the first time, must be adjusted to compensate for the additional revenue that the county will receive from the county sales and use tax and the transportation sales and use tax;
- during the first year of implementation only, may be increased (with the notice and advertisement requirements waived) by a municipality or county to replace the revenue that the entity received during a prior base period from the one percent local option sales and use tax; and
- during the first year of implementation only, and except as provided above, may be increased only with voter approval.

Tax Reform Task Force Proposal #11
Uniform Statewide Sales and Use Tax Rate
(Joint Proposal with #12)

Transition

This proposal will take effect on July 1, 2006. The transition to replacement revenue sources and new administrative structures (where applicable) is as follows:

Sales and Use Tax To Be Eliminated or Modified	Replacement Revenue Source	New Program/ Administrative Entity	FY 2005 Revenue From the Sales and Use Tax
Local Sales and Use Tax	Property tax capacity formerly used by school districts.	None	\$356,496,094
County Option Botanical, Cultural, Recreational, and Zoological Organizations or Facilities	General Fund *	Grants to non-profit organizations, municipalities, and counties for zoological, cultural, and recreational programs. Department of Community and Culture	\$19,632,622 Salt Lake, Uintah, Summit, Cache and Weber counties impose this tax.
City or Town Option Funding for Botanical, Cultural, Recreational, and Zoological Organizations or Facilities	General Fund *	Grants to non-profit organizations, municipalities, and counties for zoological, cultural, and recreational programs. Department of Community and Culture	\$24,427 (one quarter only of FY 2005) Tooele City imposes this tax. If approved by the voters, Orem City may impose this tax beginning April 1, 2006.

Tax Reform Task Force Proposal #11
Uniform Statewide Sales and Use Tax Rate
(Joint Proposal with #12)

Public Transit Option (Additional Rate)	General Fund	Grants to public transit districts. Department of Transportation	\$50,000,000 (Est.) This tax is imposed by county and municipal governments in Salt Lake, Davis, and Weber counties.
Rural county health care facility	General Fund * (or as a non-SST tax)	Grants to counties to operate hospitals and other health care facilities. Department of Health	\$4,619,572
Rural municipality health care facility	General Fund * (or as a non-SST tax)	Grants to municipalities to operate hospitals and other health care facilities. Department of Health	\$328,301 Beaver City imposes this tax.
Resort communities (basic rate)	No change	"non-SST" tax	\$9,478,694
Resort communities (additional rate)	No change	"non-SST" tax	(included above)
Municipal Option Highway or Public Transit	No change	Modify to allow a county to also impose this tax only in unincorporated areas.	\$8,263,443
County Option Highways, Fixed Guideways, or Public Transit	None	None	Not imposed
Town Option	No change.	"Non-SST" tax.	\$25,000 (Est.) This tax is imposed by the Town of Snowville

Tax Reform Task Force Proposal #11
Uniform Statewide Sales and Use Tax Rate
(Joint Proposal with #12)

There are no changes to the following sales and use taxes:

Public Transit Option (Section 59-12-501)

County Option Sales and Use Tax (Title 59, Chapter 12, Part 11). This tax is now not imposed by Emery, Kane, and Millard Counties. To achieve a uniform statewide sales and use tax rate, this tax would either: (a) be imposed by these counties; or (b) be replaced with a state sales and use tax and used for state purposes. Under both options there would be a commensurate reduction in property tax revenues to be revenue neutral.

* The state rate will be reduced over the next 10 years as the authorization periods for the following currently authorized County Option Botanical, Cultural, Recreational, and Zoological Organizations or Facilities, City or Town Option Funding for Botanical, Cultural, Recreational, and Zoological Organizations or Facilities, Rural county health care facility, and Rural municipality health care facility sales and use taxes expire:

Sales and Use Tax	Imposed by	Authorization Expires
Rural municipality health care facility.	Beaver City	January 1, 2015
Rural county health care facility	Garfield County	April 1, 2010
Rural county health care facility	Kane County	April 1, 2013
Rural county health care facility	Uintah County	April 1, 2010
County ZAP	Cache County	April 1, 2013
County ZAP	Salt Lake County	December 31, 2014
County ZAP	Summit County	July 1, 2011
County ZAP	Uintah County	October 1, 2006
Municipal ZAP	Tooele City	April 1, 2015

Local Government & Other Taxes

(12) Shift Sales and Use Taxes and Property Tax

**(13) 1% Local Option Sales and Use Tax – Adjust
Distribution Methodology and Eliminate Hold Harmless
Provision**

(14) Amend Insurance Premium Tax on Certain Policies

(15) Cable Tax Credit

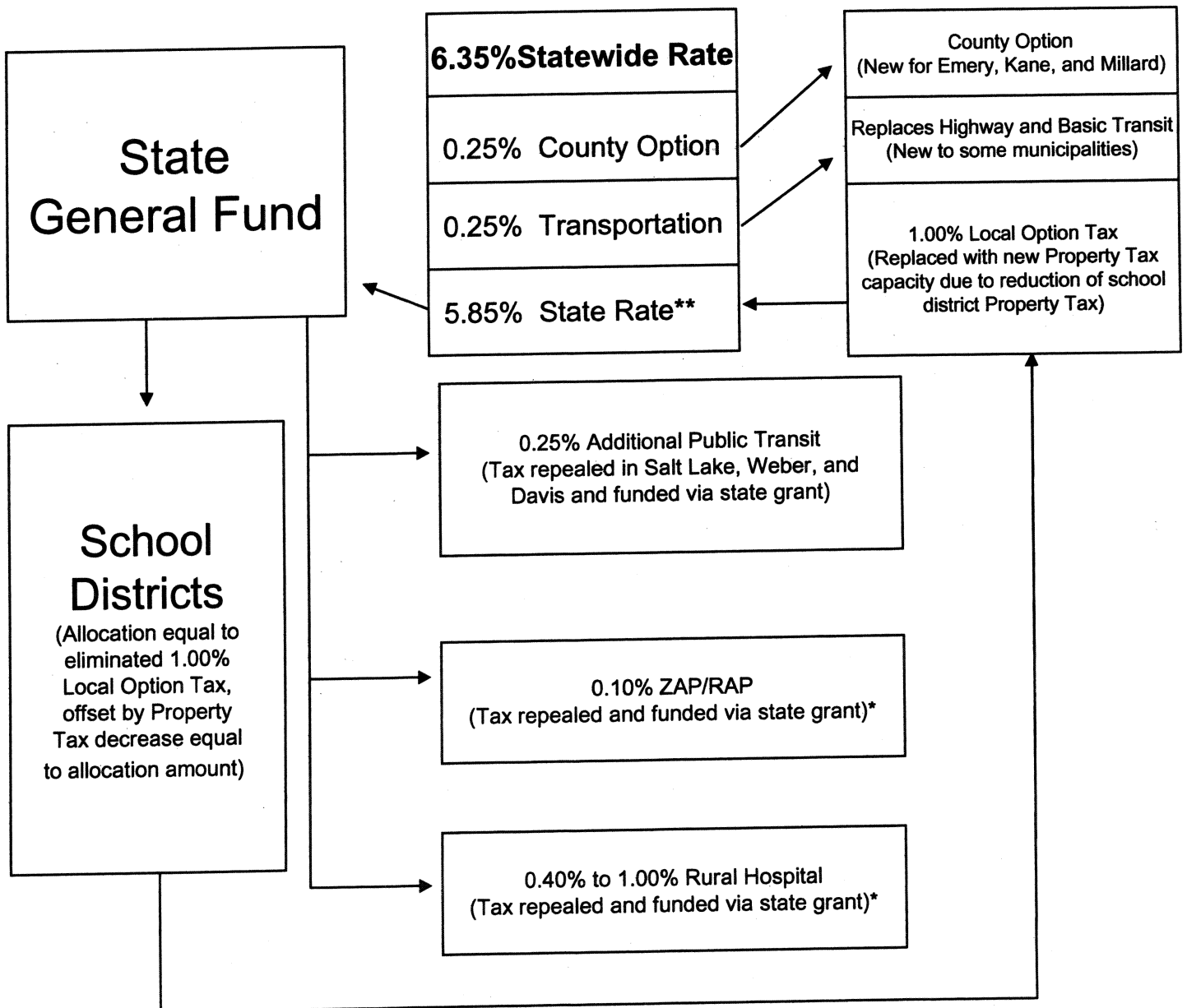
(16) Restructure Redevelopment Agencies – 3 Tracks

Tax Reform Task Force Proposal #12
Shift Sales and Use Taxes and Property Tax
(Joint Proposal with #11)

Proposal

This proposal is explained under Proposal #11. The following flow chart illustrates the proposal visually.

Aligning Revenue Sources with Services



* Grants will continue for the same duration for which these local option taxes were authorized.

** The rate will be reduced as authorizing periods for local option taxes expire.

Tax Reform Task Force Proposal #13
1% Local Option Sales and Use Tax –
Adjust Distribution Methodology and Eliminate Hold
Harmless Provision

The Task Force voted to present at statewide public hearings the following proposals related to distribution of the 1% local option sales and use tax.

Proposal

Under current law, the 1% local option sales and use tax is distributed to counties and municipalities based on 50% point-of-sale, 50% population, subject to a hold harmless provision. Under the hold harmless provision, a municipality or county is guaranteed to receive at least what it would have received from a 0.75% rate on taxable sales within the jurisdiction. Because the hold harmless provision is linked to a rate tied to a changing base rather than a fixed dollar amount, municipalities that were never intended to benefit at the time the hold harmless provision was enacted now benefit from this provision. In addition to the issues with the hold harmless provision, some assert that the existing 50/50 distribution formula creates poor fiscal incentives that encourage municipalities to zone for retail development rather than focusing what is best for the community as a whole.

One proposal to change the incentive structure is the shift of sales and use tax and property tax (Proposal #12), which would remove the sales and use tax zoning incentive for municipalities. The Task Force also recommended that the following three proposals be considered along with the tax shift:

- (1) Eliminate the current hold harmless provision by phasing it out over several years;
- (2) Adjust the distribution methodology to allocate funds based 75% on population and 25% on point-of-sale;
- (3) Adjust the distribution methodology to allocate funds based 50% on population, 25% on point-of-sale, and 25% based on wages within the municipality or county.

Tax Reform Task Force Proposal #14
Amend Insurance Premium Tax on Certain Policies

The Task Force voted to present at statewide public hearings the following proposal related to the insurance premium tax on certain policies.

Draft Legislation

09-21-05 DRAFT

2006FL-0260/005

TAX ON INSURANCE PREMIUMS

2006 GENERAL SESSION

STATE OF UTAH

LONG TITLE

General Description:

This bill decreases the tax rate paid by corporations on certain insurance premiums for the purchase of variable life insurance.

Highlighted Provisions:

This bill:

- decreases the tax rate paid by corporations on certain insurance premiums for the purchase of variable life insurance; and
- makes technical changes.

Tax Reform Task Force Proposal #15
Cable Tax Credit

The Task Force voted to present at statewide public hearings the following proposal related to a cable tax credit.

Proposal

Since July 1, 2004, the state has imposed a tax of 6.25% on amounts paid or charged for multi-channel video or audio service provided by a multi-channel video or audio service provider. These providers include cable operators and direct broadcast service (satellite) operators.

Owners and operators of cable television systems appeared before the Task Reform Task Force to express concern regarding what they perceive to be an inequity in Utah's state and local tax system. In addition to the 6.25% excise tax mentioned above, cable operators pay a franchise fee to municipal governments for the privilege of using municipal rights-of-way. The operators explained that this additional local fee gives satellite operators an unfair price advantage.

This proposal would allow a multi-channel video or audio service provider to claim amounts paid to a municipality for franchise fees as a credit against the state tax on multi-channel video or audio service providers.

Restructure Redevelopment Agencies – 3 Tracks

Proposal

The RDA/Other Taxes working group discussed the following proposal to restructure redevelopment agencies into three tracks.

Local Community Development and Renewal Act Assisting with Governor Huntsman's Plan for Economic Revitalization

	Economic Development Area	Renewal Area (Must Have Finding of Blight)**	Community Development
Purpose	Value-Added Job creation	Renewal of blighted areas	General Municipal Development
Tax Increment Financing	Property tax increment with TEC approval (due to job creation*), but no increment on retail component	Property tax increment for the entire project area.	Limited to the use of municipal sales and municipal property tax unless other taxing entities opt-in (Both Sales and Property tax of the other tax entities may be used on an opt-in basis)
Property Tools	No	To Be Determined	No
Blight	No	Yes, with a very tight definition tied to physical characteristics**	No
Taxing Entity Committee	Yes, Super-majority Vote	Yes, Super-majority Vote	No
Defined Area	Yes	Yes	No, unless opt-in is exercised for property or sales tax increment
Length	Negotiated with Taxing Entities	Negotiated with Taxing Entities	Negotiated with Taxing Entities
Additional Concepts	Require 2 separate TEC meetings (first meeting to evaluate project area proposal and project area pro forma, budget, etc. Second meeting held at least 7 days later to vote on project area) Require annual TEC meetings on approved projects to assess project progress Ability to access state incentive fund as outlined in HB-11 of 2005 Necessary and Appropriate Test (But-For Test) will be applied	Require 2 separate TEC meetings (first meeting to evaluate project area proposal and project area pro forma, budget, etc. Second meeting held at least 7 days later to vote on project area) Require annual TEC meetings on approved projects to assess project progress Ability to access state incentive fund as outlined in HB-11 of 2005 Necessary and Appropriate Test (But-For Test) will be applied	Opt-in would be facilitated by a resolution or interlocal agreement with the governing body for which the tax increment is being used.